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Address to the University of Namibia Alumni Association in collaboration with the Ministry of Finance of Namibia

The Honourable Trevor A Manuel, MP
Minister of Finance
Republic of South Africa

Windhoek
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Honourable Minister of Finance, Ms Saara Kuugongelwa-Amadhila

Vice Chancellor of the University of Namibia, Prof. Lazarus Hangula

Chairperson of the Alumni Association, Mr Tylvas Amunjela

Distinguished Guests, ladies and gentlemen

Economic integration – the idea that prosperity rests in part on institutions and markets that are shared across national borders – is far more than a technical economic construct. It is not just about the industrial and trade ties that bind us together. It goes to the heart of what it means to be human, what it means to confront loneliness and despair, what it means to build a future that is better than the past. In rests on an idea expressed eloquently by Nigerian novelist and Booker prize winner, Ben Okri:

> *"The most authentic thing about us is our capacity to create, to overcome, to endure, to transform, to love and to be greater than our suffering."*

We turn to our authentic capacity to create, to endure, to be greater than our suffering – we turn to our authenticity as a source of inspiration in overcoming our domestic and regional challenges, and the added complexities brought on by globalisation.

And if there's any doubt about the impact of global events on national and regional agendas, then we only need to refer to the numbers.

World trade in 2006 totalled US$12,7 trillion, of which Africa's portion was just over US$300 billion, or 2.3 percent. And although Namibia's trade with the world is somewhere around 0.02 percent of total global trade, the goods and services that this country exports represent about 54.5 percent of its Gross Domestic Product. But this phenomenon is not restricted to those activities that take the produce of two million Namibians to the markets of the world. Globalisation also permeates our domestic policies on environmental matters, land reform, human rights, energy, and finance. Many of the procedures that we now follow to open a bank account came about as a result of 9/11, an event that took place on the other side of the Atlantic Ocean.

As individual countries we need the world more than the world needs us. The realisation of this forces us into regional economic communities and agreements and all types of international arrangements. SACU, SADC and COMESA are the products of this realisation. So too is the World Trade Organisation and others.

Globalisation is a feature of life. The Former United Nations Secretary General, Mr Kofi Annan said,," Arguing against globalisation is like arguing against the laws of gravity." But, in recognising this, we should also be mindful of the fact that there is nothing self-evident about its outcomes which guarantees an improved quality of life for the people of the poorest countries and regions. Indeed, global links heighten the risks and vulnerability associated with poor policies or strategic mistakes. It is up to us to develop a response that addresses our needs and interests, as individual countries, as a region, and as Africans. We have to be able to connect the dots between our domestic agendas, the regional integration programme and events unfolding in China, Europe, the Americas and India. In the same way that we are required to forge the linkages between the upswing in commodity prices and our policy choices and the way we govern our countries. It is then that we start to recognise that a compelling opportunity exist – now - to turn the tide on poverty and all manner of human suffering.

How well we draw together our policy choices, the resources at our disposal, and the form of our neighbourliness, will draw heavily on *our capacity to create, to transform, and to be greater than our suffering*.

We have a real chance to make a difference – this is not only due to the upswing in commodity prices, or because of better policy choices and improved governance, or because we recognise that greater integration of our economies hold long-term benefit. Sustainable outcomes that lead to the future we desire is dependent on all of the above, and many more.

Let me share some thoughts on the upswing in commodity prices. Why? Because primary commodities make up the largest part of the basket of African exports. So, how we respond during the boom phase does have a regional impact.

If we respect the truth, then we need to admit that commodity boom phases have not been managed well in the past, and we are at risk of making the same mistakes again. The suggestion that commodity price upswings might be a curse and not a blessing is an uncomfortable reminder of our responsibility, now, to act wisely and prudently in the interests of future growth and not just present consumption.

The current commodity super-cycle and boom phase has lasted for some seven years, and we cannot predict when the trend will be reversed. An understanding of the drivers behind the upswing – Chinese demand, platinum and the autocatalytic industry, the concordance between gold and oil, the bond between diamonds and vanity, and high emerging market demand - suggest that the good times are here to stay in the short-to-medium term. But, to assume that current prices and the current boom phase reflects a permanent shift, rather than a temporary opportunity, would be a naive and risky approach to adopt. And if our analysis is correct, then the slump will come and it will bring with it a significant decline in commodity prices. This could potentially spell disaster for many developing countries, if our choices ignore *the authentic thing about us* – (that is) *our capacity to create, to transform and to be greater* (than those that caused our suffering).

Africans have been confronted with choices and challenges before. Globalisation has been around for a very long time – Jim Wolfensohn, former President of The World Bank said, “Globalisation in the sense of the world becoming smaller has been going on, since Adam and Eve.” And so, too, there is a long history of African responses to external opportunities.

It is now a matter of historical fact that between 1200 AD and 1300 AD, the region known as Mapungubwe, at the meeting of the Shasha and Limpopo Rivers and where the international borders of Botswana, Zimbabwe and South Africa meet, the ancestors of the Shona people of Zimbabwe were prosperous.

They created objects of iron, copper and gold for practical and decorative purpose for local use and trade with East Africa, Persia, Egypt, India and China.

Economic systems and trade which bring prosperity to Africa's people are not new or foreign concepts.

But prosperity does not follow automatically from opportunity. Policy choices and good governance matter. They matter because the political stability and economic wellbeing of Southern African states are tied together. They were bound together in pre-colonial times, and they will remain linked in diverse ways long after all of us here retire and are gone. But the institutions we construct today, and the investment choices we make, will outlive us; future generations will build on these foundations, they may have to correct our mistakes, they will no doubt create things beyond our present imagining, but we need to have the courage and the vision to break the barriers that hold back progress today.

Modern day Mapungubwes take the form of free-trade areas and customs unions. In the case of the latter, our two countries, along with Botswana, Lesotho and Swaziland, belong to one of the oldest customs union in the world. Of course the countries of SACU differ considerably and the linkages between them are complex. Herein is contained our regional challenge, but also an opportunity to use our *capacity to create, to overcome.*

Professor Paul Collier, director of the Centre for the Study of African Economies, offers a simple classification matrix that assists in thinking about how countries are economically linked with each other. He points out that transport and trade connections matter – landlocked countries have different opportunities from those that have sea-trade links with the rest of the world. Having mineral or other natural resources makes a difference. Governance and institutional arrangements are also important. He gives the example of Switzerland: "a landlocked resource-scarce country - has been able to develop because Germany, France and Italy are not in the way of Switzerland's market, they are Switzerland's market". He goes on to state that "globally, landlocked economies indeed structure their economies so as to make the most of their neighbours' growth. If neighbours grow at an extra one percentage point, the typical costal economy gains a 0.4 percent spill-over, whereas the typical landlocked economy gains a 0.7 percent spill-over".

Lesotho and Swaziland are landlocked and resource-poor, and their economic linkages with South Africa from Botswana's or Namibia's.

For the record – Namibia is coastal, has abundant resources and has a well-established democratic government. Blessings on all three fronts, but of course they are accompanied by their risks and complications. You also have resource rich neighbours to the north and east, more or less well-governed, and Botswana is landlocked and resource-rich. What does this mean? It is simply the starting-point for considering regional opportunities and economic linkages, in all their complexity and manifold permutations, the beginning of a discourse on what it might mean to build a better, shared, future. And beyond the discourse, there is hard work to do in negotiating agreements, building institutions, constructing infrastructure and supporting investment and trade.

When we negotiated the current SACU agreement, two issues featured prominently. The first was to bring about a more equitable distribution of customs revenue collected by the common revenue pool, and secondly, to design a redistributive and developmental component in the formula. And it was this developmental component that was intended to facilitate trade between our countries – to ensure that we build the roads and modernise the ports, put in-place one stop border posts, and develop common systems and procedures. Unfortunately, we have not made much progress in this regard, and the revenue-sharing formula needs to be reviewed again.

But I am convinced that the finance and trade ministers of Botswana, Lesotho, Namibia, South Africa and Swaziland all agree that steps need to be taken to transform SACU and build on its successes as we transition to a broader integration agenda under the umbrella of SADC. We also need to ensure that we take into the SADC Customs Union:

- Respect for the importance of macroeconomic stability and sound economic management
- The need to put in place critical infrastructure and standardisation of systems and procedures
- The protection of property rights
- The need to maintain strong economic, social and cultural ties across the region, and
- The creation of appropriate governance structure

Let me conclude with a few remarks on the investment and policy challenges we face – the basic building blocks of a developmental regional economic strategy.

We can borrow ideas, of course, from other contexts. The approach that underpinned the success of the European Union was the adoption of common institutions for governance, democratic principles, macroeconomic stabilisation and convergence policies, and legally enforceable competition policies. This approach has enabled the EU to project cohesion, unity in purpose and influence in international affairs. The success of this approach is founded in the arrangement that no single country was a dominant power with imposition of its preferences. No, deals have to be forged and the process of reaching consensus was often far more important than the final policy resolution or decision. Those processes take a lot of time, a lot of paper, a lot of language, and the eventual consensus frequently relies on layers of qualification and tortuous translations that keep bureaucrats over-employed and leave the rest of us somewhat bewildered.

So yes, we can borrow ideas, but we must also create something better tuned to our needs and circumstances.

Although SADC's Regional Indicative Strategic Development Plan draws from the lessons of regional economic communities around the world, it also presents us with a unique set of challenges. As its ultimate goal, the plan aims to deepen the integration agenda of SADC with a view to accelerating poverty eradication and the attainment of other economic and non-economic development goals. It also sets out the enablers that underpin the success of regional integration and development. In line with article five of the SADC Treaty, the indicative strategic plan acknowledges that economic growth and development will not be realised in conditions of political intolerance, the absence of the rule of law, corruption, civil strife and war. The plan recognises that poverty is likely to deepen under such conditions – conditions that nurture further political instability and conflict, creating a destructive repetitive cycle, which perpetuates under-development and extreme deprivation.

Good economic and corporate governance is therefore recognised by the RISDP as essential for the realisation of deeper integration and poverty eradication in the SADC region.

There are other basic, developmental, building blocks.

We need to accelerate our investment in shared and jointly-funded infrastructure – transport links, telecommunications, energy and water resource networks.

We need rapid growth in a common pool of technically skilled people – engineers, accountants, managers, agriculturists, metallurgists – and we need better institutions for translating technology and research into industrial and commercial opportunities.

We need a concerted focus on those industries and activities that can create jobs for more people – on farms, in taking advantage of mineral resources, but also in building better communities and social services.

We need to raise our shared environmental concerns to a higher level of political engagement and joint action. There are many components of this challenge – a common approach to restoring depleted coastal and offshore fish stocks, how we respond to climate change, better approaches to dealing with food security, what kinds of power generation technologies we adopt, managing trans-frontier parks and their role in tourism and conserving our natural heritage, amongst others.

In taking forward these issues, we need better analysis and a deeper understanding of the dynamics of social and economic development. For those of us whose work is political or administrative, perhaps we need to listen a little more to our scientists and engage more carefully with the business sector and international partners – while recognising that we have trusteeship responsibilities that stand above narrow commercial or other special interests.

We share the enormous privilege of building better regional institutions in a context of comparatively favorable international opportunities. Whether these opportunities turn out to be a blessing or a curse depends on us: what priorities we set, how we work together, how we manage our budgets and spending programmes, how we encourage investment and job creation.

It took the EU fifty years to achieve what they currently have. This is a luxury we do not have.

And so it is right that Ben Okri should remind us of our capacity to create, to overcome, to endure, to transform. And if it helps sometimes to think in terms of a competition between nations, even as we search for better ways of working together, the recent passion displayed by the Namibian rugby team in a titanic battle with the Irish is surely a sign that astonishing things can come from the south.

We can be greater than our suffering.

Thank you